

## Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03  
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-08  
ACDA-07 IO-13 DLOS-06 TRSE-00 MC-02 EUR-12 DHA-02  
/106 R

DRAFTED BY ARA/AND/E - AMBASSADOR BLOOMFIELD:LEE  
APPROVED BY ARA/AND/E - AMBASSADOR BLOOMFIELD  
-----090644Z 079172 /13

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FM SECSTATE WASHDC  
TO AMEMBASSY QUITO

C O N F I D E N T I A L STATE 051430

E.O. 11652: GDS

TAGS: PFOR, EC

SUBJECT: DRAFT OVERVIEW OF PARM FROM THE AMBASSADOR

1. ECUADOR IS A SMALL UNDERDEVELOPED COUNTRY IN WHICH OUR INTERESTS ARE LIMITED, AND WHERE THE PEOPLE TRY TO OUTDO EACH OTHER IN RECITING THEIR AFFECTION FOR THE UNITED STATES. NEVERTHELESS, SINCE 1960, BILATERAL RELATIONS HAVE SELDOM RUN SMOOTHLY. THE IMPACT ON US INTERESTS OF ECUADOR'S SURPRISINGLY INDEPENDENT FOREIGN POLICY (SEE QUITO A-3) HAS BEEN DISPROPORTIONATE TO THE COUNTRY'S SIZE AND ECONOMIC STRENGTH. BECAUSE ECUADOR CHOOSES NOT TO PLAY THE ROLE OF A CLIENT STATE, WE HAVE FOUND IT A FORMIDABLE ANTAGONIST ON CERTAIN GLOBAL AND REGIONAL ISSUES LIKE THE LAW OF THE SEA AND THE FUTURE OF THE INTER-AMERICAN SYSTEM. AND NOW ECUADOR IS A FACTOR IN THE GROWING IRREDENTIST TENSION AMONG THE ANDEAN STATES.

2. IN THE PAST WE HAVE ATTEMPTED TO USE OUR ECONOMIC MUS-  
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CLE TO COUNTER ECUADOREAN CHALLENGES TO OUR INTERESTS (E.G., THE PELLY AMENDMENT, GSP EXCLUSION). AS A RESULT, ECUADOREAN LEADERS ARE HIGHLY SENSITIVE TO ANY INDICATION OF US ATTEMPTS AT "COERCION". CONSEQUENTLY, THERE IS A PREMIUM ON PATIENT, QUIET DIPLOMACY IN DEALING WITH ECUADOREAN PROBLEMS.

3. ON THE POSITIVE SIDE, THIS IS A CONSERVATIVE SOCIETY WHICH VALUES INDIVIDUAL FREEDOM, ASPIRES TO DEMOCRATIC RULE, AND ADMIRES OTHER US VALUES AND ACCOMPLISHMENTS. CURRENTLY, WE HAVE THE UNIQUE PHENOMENON IN LATIN AMERICA OF A MILITARY REGIME WHICH IS VOLUNTARILY RETURNING THE GOVERNMENT TO CIVILIAN, CONSTITUTIONAL RULE. BY 1978, ECUADOR MAY BECOME ONLY THE FOURTH LATIN AMERICAN COUNTRY TO POSSESS AN ELECTED, REPRESENTATIVE FORM OF GOVERNMENT. AS SUCH, ECUADOR WILL HAVE SYMBOLIC IMPORTANCE TO THE UNITED STATES BEYOND OUR MODEST LEVEL OF TANGIBLE INTERESTS HERE.

4. DURING THE NEXT 18 MONTHS, AND PROBABLY BEYOND, ECUADOR'S PRINCIPAL INTERNATIONAL CONCERN WILL BE THE THREAT OF MILITARY AGGRESSION IT PERCEIVES FROM PERU. THE PERUVIANS' ACQUISITION OF NEW WEAPONS FROM THE SOVIET UNION AND EUROPEAN SUPPLIERS HAS UPSET THE TRADITIONAL BALANCE OF POWER IN THE ANDEAN REGION AND THE ECUADOREANS BELIEVE, WITH SOME JUSTIFICATION, THAT THE CHANCES OF WAR IN THE AREA HAVE INCREASED. ECUADOREANS IN ALL WALKS OF LIFE - MANY WITH THE EXPERIENCE IN THEIR OWN LIFETIME OF HAVING LOST A LARGE CHUNK OF TERRITORY TO PERU - ARE CONVINCED THAT PERU COVETS ECUADOR'S EASTERN OIL FIELDS AND MAY MOVE FIRST NORTH, OR SIMULTANEOUSLY WITH AN ATTACK ON CHILE. ECUADOR'S MILITARY LEADERS ARE, ACCORDINGLY, DESPERATE TO ACQUIRE THE ARMS NECESSARY TO ACHIEVE A MINIMALLY CREDIBLE DEFENSE - WHICH IS NOW LACKING. ECUADOR'S MILITARY WANT TO BE ABLE TO RELY ON THE US FOR AS MUCH OF THIS EQUIPMENT AS POSSIBLE, BOTH BECAUSE OF THE PSYCHOLOGICAL IMPORTANCE

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VIS-A-VIS PERU OF US INVOLVEMENT IN ECUADOR'S ARMS MODERNIZATION EFFORT.

5. THE GOE'S SECURITY CONCERNS, AND HOW THE US RESPONDS TO THEM, WILL BE THE SINGLE MOST IMPORTANT FACTOR IN DETERMINING HOW WELL WE CAN DEFEND OUR INTERESTS DURING THE PERIOD UNDER CONSIDERATION IN THIS PARM. IF WE APPEAR INDIFFERENT TO ECUADOR'S SECURITY CONCERNS - AND THE DENIAL OF THE KFIR WAS INTERPRETED AS INDIFFERENCE - WE WILL FIND IT DIFFICULT TO ACHIEVE OUR GOALS.

6. OUR OBJECTIVE SHOULD INCLUDE REDUCING THE TEMPTATION TO THE PERUVIANS OF AGGRESSION AND THE POSSIBILITY THAT ECUADOREAN PANIC MIGHT SET OFF A CONFLICT. THUS, ECUADOR'S DESIRE TO ACQUIRE THE MEANS TO DEFEND ITSELF COINCIDES WITH OUR INTERESTS ON TWO COUNTS: A CREDIBLE ECUADOREAN DEFENSIVE CAPABILITY SHOULD CONTRIBUTE TO MAINTENANCE OF PEACE IN THE ANDEAN REGION, AS WELL AS TO OUR ABILITY TO INFLUENCE THE GOE TO BE FORTHCOMING ON PROBLEMS EXISTING

BETWEEN THE TWO COUNTRIES.

7. THE RESOLUTION OR ATTENUATION OF THESE PROBLEMS CONSTITUTE THE OBJECTIVES SET FORTH IN PART OF THIS PAPER. THESE INCLUDE HAVING ECUADOR (1) NOT OBSTRUCT THE CONSUMPTION OF A LAW OF THE SEA TREATY AND TACITLY ACQUIESCE IN THE RESOURCE-ZONE REGIME IN SPITE OF ECUADOR'S OWN TERRITORIALIST POSITION, (2) JOIN A FUTURE REGIONAL TUNA AGREEMENT FOR THE EASTERN PACIFIC WHICH MAINTAINS ACCESS TO TUNA IN THESE WATERS FOR US FISHERMEN, (3) RESOLVE OUTSTANDING INVESTMENT DISPUTES, (4) SUPPORT IN A LARGER MEASURE THAN HERETOFORE US POSITIONS IN THE UN AND THE OAS, INCLUDING ON HUMAN RIGHTS, AND (5) COOPERATE ON A NUMBER OF PROGRAMS, RANGING FROM NARCOTICS TO .

8. BY AND LARGE THE CARROT WILL PROVE MORE EFFECTIVE  
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THAN THE STICK WITH THE ECUADOREANS - WHO ARE SLIGHTLY PARANOID AFTER HAVING HAD SO MANY OF OUR STICKS BRANDISHED AT THEM IN RECENT YEARS. INDEED, AFTER THE PROVISION OF MILITARY EQUIPMENT FOR LEGITIMATE DEFENSE PURPOSES, THE MOST IMPORTANT STEP WE COULD TAKE TO IMPROVE THE ATMOSPHERE IN ECUADOR FOR OUR INTERESTS WOULD BE TO REPEAL THE GSP EXCLUSION. IF THE CARTER ADMINISTRATION WERE TO GO BEYOND THAT AND DECLARE ITS OPPOSITION TO LEGISLATED SANCTIONS IN GENERAL, THE IMPACT HERE WOULD BE VERY FAVORABLE, AS ELSEWHERE IN LATIN AMERICA.

9. THIS DOES NOT MEAN WE SHOULD NOT GET TOUGH WITH THE ECUADOREANS WHEN THEY BEHAVE UNREASONABLY. BUT OUR THREATS SHOULD BE UTTERED EN CAMARA, NOT PUBLICLY. FOR EXAMPLE, I DID NOT HESITATE TO DRAW A PICTURE FOR THE SUPREME COUNCIL OF THE DIRE CONSEQUENCES IF THE GOE DID NOT COMPENSATE GULF OIL CORP. FAIRLY. AND MY POINTED REMARKS TO THE MILITARY REGARDING THE POTENTIALLY NEGATIVE EFFECT ON US ARMS SALES OF CERTAIN ECUADOREAN UN VOTES AGAINST US, SUCH AS ITS SUPPORT OF THE GUAM RESOLUTION, CONTRIBUTED TO THE DOWNFALL OF THE FOREIGN MINISTER RESPONSIBLE FOR THAT VOTE AND A REFRESHING NEW SENSITIVITY IN THE FOREIGN OFFICE TO US CONCERNS IN MULTILATERAL FORA. BUT OUR MUSCLE MUST BE FLEXED PRIVATELY.

10. ECUADOR - AS ALWAYS LARGER THAN LIFE - THUS BRINGS INTO FOCUS IN A COUNTRY CONTEXT THE DILEMMAS INHERENT IN ATTEMPTING TO FORMULATE GLOBAL, FUNCTIONAL POLICIES: LIMITATION OF ARMS SALES TO LDCS VERSUS THE ARMS IMBALANCE IN THE ANDES AND THE IMPLICATIONS OF A POTENTIAL SOVIET ROLE AS ARMS SUPPLIER TO SOUTH AMERICA; DEEPLY IMBEDDED AMERICAN

ATTITUDES ABOUT RECIPROCITY (IF NOT AN EYE-FOR-AN-EYE)

VERSUS THE GREATER EFFECTIVENESS OF FOREBEARANCE IN DEAL-  
ING WITH SMALL, BUT PROUD, NATIONS; OUR INSISTENCE ON  
PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION VERSUS THE  
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NEED FOR PATIENCE IN WORKING TOWARD A SETTLEMENT OF OUR  
REMAINING INVESTMENT DISPUTES HERE.

11. IF WE CAN SOLVE THESE POLICY DILEMMAS, WE SHOULD IN  
18 MONTHS BE ABLE TO COUNT ECUADOR AS A MEMBER OF THE  
DEMOCRATIC, LIBERTARIAN CAMP; A COUNTRY WITH WHOM WE HAVE  
SHOWN HOW A GREAT POWER CAN SOLVE ITS PROBLEMS WITH A  
SMALL, WEAK NEIGHBOR, BY DIPLOMACY AND COMPROMISE, AND ONE  
WHERE OUR POLITICAL AND ECONOMIC INTERESTS ARE PROSPERING.

12. ONE FINAL WORD - A PRESIDENTIAL VISIT TO LATIN AMERICA  
THIS YEAR WOULD PAY ENORMOUS DIVIDENDS FOR THE FUTURE OF  
US-LATIN AMERICAN RELATIONS. IT WOULD BE GREATLY APPRE-  
CIATED IN ECUADOR IF THE NEW US PRESIDENT WERE TO INCLUDE  
ECUADOR IN HIS ITINERARY - AS A SYMBOLIC GESTURE TO A  
COUNTRY MOVING BACK TOWARD THE DEMOCRATIC IDEAL AND TO ONE  
WHICH HAS MANAGED TO PRESERVE HUMAN RIGHTS EVEN UNDER  
MILITARY RULE. ON THE OTHER HAND, TO OMIT ECUADOR FROM  
THE ITINERARY AT THIS JUNCTURE - ESPECIALLY IF PERU WERE  
INCLUDED - WOULD CONSTITUTE A SETBACK TO THE ACHIEVEMENT  
OF THE OBJECTIVES SET FORTH IN THIS PAPER.

13. NOTE: PARA 7 HAS TWO BLANK SPACES (LINE 2 AND LAST  
LINE) FOR YOU TO FILL IN.  
VANCE

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## Message Attributes

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